

## Message Text

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TO SECSTATE WASHDC IMMEDIATE 1760

C O N F I D E N T I A L QUITO 7061

E.O. 11652: GDS

TAGS: MASS, EC

SUBJECT: FY 78-79 SAPRC REVIEW OF ECUADOR PROGRAM

REF: STATE 240511

1. I RECOMMEND IN THE STRONGEST POSSIBLE TERMS THAT THE SAPRC APPROVE IMET AND FMS CREDIT FUNDING FOR ECUADOR AT THE LEVEL APPROVED IN THE ECUADOR CASP, RATHER THAN THE LOWER FIGURES RECOMMENDED BY THE SAPRC WORKING GROUP. THE RATIONALE FOR MY RECOMMENDATION FOLLOWS.

2. THE BASIC JUSTIFICATION FOR OUR REQUEST WAS AND IS POLITICAL. AN ADEQUATE LEVEL OF BOTH FMS CREDITS AND IMET FUNDS IS INDISPENSIBLE IF THIS MISSION IS TO CARRY OUT ITS POLITICAL GOALS IN THIS COUNTRY. ECUADOR IS RULED BY A MILITARY GOVERNMENT, ONE WHICH DESIRES GOOD RELATIONS WITH THE U.S. AND LOOKS TO US, TO SOME EXTENT, FOR GUIDANCE AND SUPPORT. AS A MILITARY GOVERNMENT, IT IS ALSO ALMOST UNIQUE IN THAT IT PERMITS FREEDOM OF EXPRESSION, DOES NOT PRACTICE VIOLENCE AGAINST POLITICAL OPPOSITION, AND IS ATTEMPTING TO RETURN THE GOVERNMENT TO DEMOCRATIC PROCESSES WITHIN TWO YEARS' TIME. PARTICULARLY IN THE AREA OF MILITARY EQUIPMENT AND TRAINING, THE GOE

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MUCH PREFERS TO DEAL WITH THE U.S. PARA VII OF THE

ECUADOR SAPRC NARRATIVE CONTAINS A COGENT RATIONALE FOR THIS VIEW. ECUADOR'S THIRD-COUNTRY PURCHASES HAVE ALL BEEN SECOND CHOICES, MADE WHEN THE U.S. COULD NOT PROVIDE ITEMS DEEMED NECESSARY OR WOULD NOT PROVIDE THE KIND OF CREDIT INCENTIVE MADE AVAILABLE BY OTHER SELLERS.

3. FMS CREDIT AND IMET ARE IMPORTANT BECAUSE OUR POLITICAL GOALSHERE ARE BOTH REASONABLE AND ACHIEVABLE AND OUR POLICY TOOLS DO HAVE A REAL INFLUENCE. OUR ACCESS TO AND INFLUENCE ON THE GOE HAS IMPROVED IMMEASURABLY SINCE THE CURRENT GOE CAME TO POWER IN JANUARY, WITH PREDICTABLE, POSITIVE RESULTS. A MOST STRKING EXAMPLE OF THIS IS THE GULF OIL DISPUTE. THROUGH THAT DISPUTE I HAVE HAD IMMEDIATE ACCESS TO AND A SYMPATHETIC HEARING AT THE HIGHEST POLICY-MAKING LEVELS IN THE GOE, THE THREE-MAN MILITARY TRIUMVIRATE. BY THE SAME TOKEN, ECUADOR HAD PROMISED GREATER SUPPORT THAN IN PAST YEARS FOR OUR KOREA POSITION IN THE UNGA (PRIOR TO THE SHELVING OF THAT ISSUE FOR THIS SESSION), AND IN GENERAL HAS BEEN MORE RECEPTIVE THAN IN RECENT MEMORY TO OUR REPRESENTATIONS ON INTERNATIONAL ISSUES. AGAIN, THERE WERE NO SEIZURES OF U.S. TUNA BOATS DURING THE 1975-76 TUNA SEASON (WHICH RUNS FROM NOVEMBER TO MARCH, WITH MOST U.S. BOATS PRESENT DURING THE LATTER PART OF THE SEASON) AND WE ANTICIPATE A SIMILARLY THROUBLE-FREE SEASON THIS YEAR. IF FMS CREDIT IS RADICALLY CURTAILED OR DELETED ALTOGETHER I DO NOT BELIEVE THAT THIS PERIOD OF FRUITFUL BILATERAL RELATIONS WILL CONTINUE, AND WE COULD WELL RETURN TO THE KIND OF RELATIONS WE ENJOYED WITH ECUADOR FROM 1971 TO 1975 WHEN MILITARY ASSISTANCE WAS ALSO STOPPED.

4. AN IMPORTANT FACTOR PROVIDING US WITH POLITICAL LEVERAGE THROUGH FMS CREDIT AND IMET IS THE CONCERN THE GOE HAS ABOUT PERU. THE GOE PERCEIVES PERU AS THE SINGLE GREATEST THREAT TO ITS NATIONAL SECURITY -- MEMORIES OF THE 1941 WAR DIE HARD AND A MASSIVE PERUVIAN ARMING EFFORT DOES NOT HELP. WHETHER PERU IS IN FACT A THREAT TO ECUADOR OR NOT IS BESIDE THE POINT; IT IS SEEN AS SUCH AND THE GOE IS FRANTIC TO MOUNT A MINIMALLY CONFIDENTIAL

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CREDIBLE DEFENSE. ECUADOREAN OFFICIALS HAVE REPEATEDLY EXPRESSED CONCERN TO ME AND MEMBERS OF MY STAFF OVER THE PERUVIAN THREAT AND THE INCONGRUITY THEY SEE IN THE U.S. ASSISTING IN PERU'S ARMING EFFORTS. IF THE U.S. RADICALLY REDUCES THE CREDITS OR TRAINING AVAILABLE TO ECUADOR WITHOUT TAKING SIMILAR ACTION ELSEWHERE IN THE HEMISPHERE, ESPECIALLY PERU, I PREDICT THAT OUR ABILITY TO INFLUENCE THIS GOVERNMENT WILL DECLINE

MEASURABLY.

5. THE OBJECTIONS OF THE SAPRC WORKING GROUP TO THE FUNDING LEVELS FOR ECUADOR, AS WE UNDERSTAND THEM, SEEM TO MISS THE POINT. AS WE HAVE NOTED IN A VARIETY OF OTHER CONTEXTS, IT IS MISLEADING TO SIMPLY LUMP ECUADOR WITH OTHER "RICH" OPEC COUNTRIES. ECUADOR'S OIL PRODUCTION IS MINISCULE IN COMPARISON WITH OTHER OPEC COUNTRIES AND EVEN MANY NON-OPEC PRODUCERS. IN SPITE OF ITS OIL EXPORTS ECUADOR RANKS 19TH OF 24 LATIN AMERICAN COUNTRIES IN PER CAPITA GNP, ACCORDING TO WORLD BANK STATISTICS. OIL REVENUES ARE SIMPLY NOT SUFFICIENT TO PERMIT ECUADOR TO MEET ITS DEVELOPMENT AND IMPORT NEEDS, MUCH LESS TO PAY CASH FOR ALL MILITARY NEEDS. FMS CREDITS FILL A REAL NEED IN THIS COUNTRY.

6. SIMILARLY, THE OBJECTION TO THE USE OF FMS CREDITS FOR THE PURCHASE OF TWO FRIGATES REFLECTS A MISUNDERSTANDING OF ECUADOREAN REALITIES AND ECUADOREAN INTENTIONS. FIRST, I MUST REITERATE THAT ECUADOR SEIZED NO U.S. TUNA BOATS LAST YEAR AND WE ARE HOPEFUL OF A SIMILAR RESULT THIS YEAR. SECOND, ECUADOR DOES NOT NEED FRIGATES TO SEIZE TUNA BOATS, IT ALREADY HAS THAT CAPABILITY. INDEED, WHEN TUNA BOATS HAVE THEIR NETS IN THE WATER THEY CAN BE SEIZED BY A RUBBER RAFT. THE FRIGATE PURCHASE AGAIN RELATES TO THE PERU THREAT, SINCE PERU RECENTLY CONTRACTED FOR FOUR NEW ITALIAN FRIGATES TO BE DELIVERED DURING THE FY 78-79 TIME FRAME. 5#84\$, THIS PROPOSED PURCHASE INVOLVES NEW BOATS AND THE LEAD TIME FOR DELIVERY IS THREE TO FOUR YEARS. MOST IMPORTANT, THE U.S., ECUADOR AND OTHER COUNTRIES HAVE FOR SOME TIME BEEN WORKING TOWARDS THE CONCLUSION OF A REGIONAL FISHING AGREEMENT WHICH WOULD RESOLVE THE TUNA FISHING PROBLEM.

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ASIDE FROM THE FACT THAT THE PRESENT PRESIDENT IS THE NAVY COMMANDER, THE ECUADOREAN NAVY PLAYS AN IMPORTANT ROLE IN FORMULATION OF LOS/FISHERIES POLICY. WE BELIEVE THAT THE BEST WAY TO INFLUENCE THE NAVY TOWARDS A CONSOLIDATORY POLICY ON THESE ISSUES IS THROUGH HELPING TO MEET ITS MINIMAL NEEDS, NOT BY "PUNISHING" IT.

7. IN SUM, I FEEL THAT A SOLID, DEFENSIBLE CASE CAN AND HAS BEEN MADE FOR THE AMOUNT OF FMS CREDIT AND IMET FUNDS REQUESTED IN THE CASP. I FEEL THAT THE OBJECTIONS WHICH HAVE BEEN RAISED TO THOSE LEVELS DO NOT REFLECT THE REALITY OF THE ECUADOREAN SITUATION AND DO NOT TAKE INTO ACCOUNT THE BASIC POLITICAL GOALS WE HAVE IN THIS COUNTRY. I RECOMMEND THAT THE SAPRC APPROVE FUNDING AT THE CASP LEVEL.

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